

DEPARTMENT OF THE AIR FORCE

Washington

Office of the Secretary

Dear Mr. Speaker:

There is forwarded herewith a draft of legislation "To authorize the disposal of the Government-owned long-lines communication facilities in the State of Alaska, and for other purposes".

This proposal is a part of the Department of Defense Legislative Program for the 89th Congress. The Bureau of the Budget advises that, from the standpoint of the Administration's program, there is no objection to the presentation of this proposal for the consideration of the Congress. The Department of the Air Force has been designated as the representative of the Department of Defense for this legislation. This proposed legislation has been coordinated with the Departments of Commerce, Interior, Justice, and Agriculture, the Federal Aviation Agency, and the Federal Communications Commission. An identical proposal (H.R. 3614) was introduced in the House of Representatives on February 7, 1963, and referred to the Committee on Armed Services. It is recommended that this proposal be enacted by the Congress.

Purpose of the Legislation

The purpose of the proposed legislation is to authorize the Secretary of Defense, with the advice, assistance, and consent of the heads of other agencies of the Government owning long-lines communication facilities in Alaska, to transfer, for adequate consideration, any element of ownership of any or all facilities of Government-owned long-lines communication facilities in or to Alaska. No transfer could be made unless the Secretary of Defense, or his designee, determined that retention of the property is not necessary for national defense purposes, that the transfer is in the public interest, and that the facilities would not, directly or indirectly, be owned, operated, or controlled by a person or business entity who would legally be disqualified by the Federal Communications Commission from holding a radio station license under the terms of the Communications Act of 1934, as amended. A person acquiring any facilities would be required to provide, without interruption, the communication services involved in the transfer, and to conduct his operations under the regulatory authority of the Federal Communications Commission and such Alaska regulatory bodies as are established.

The United States Government-owned long-lines communication facilities in and to Alaska that are offered for transfer are a combination of the

communications systems formerly operated separately by the Department of the Army, the Department of the Air Force, and the Federal Aviation Agency. Each agency controlled and operated facilities between various geographical locations in Alaska, but subsequently each agency allocated portions of its individual system to the others, so that the over-all long-lines operation in Alaska became an integrated operation.

The responsibility for the operation and maintenance of the integrated Alaska Communication System was for some years lodged in the Secretary of the Army, but was transferred from him to the Secretary of the Air Force on July 1, 1962. This System, using its own, including leased, facilities, and allocated facilities of other Government agencies, acts as a common carrier in providing communication services for the military departments, other Government agencies, and the general public between the rest of the United States and Alaska, between points inside Alaska, and between Alaska and Canada. It installs, operates, and maintains radio, wire, and submarine cable facilities. The services of the System include handling long distance and rural telephone communications, telegrams, telegraphic money orders, leases of communication channels, press transmissions, broadcast relays, and ship-shore facilities.

Historically, the U.S. Army Alaska Communication System was established by the U.S. Army Signal Corps in 1900 under the Act of May 26, 1900 (48 U.S.C. 310), which specifically provided that "Commercial business may be done over these military lines under such conditions as may be deemed by the Secretary of War, equitable and in the public interests." In subsequent appropriation Acts for the War Department and its successor, the Department of the Army, Congress has provided funds for the development, expansion, maintenance, and operation of the System.

The long-lines facilities in Alaska of the Federal Aviation Agency (originally established by the Department of Commerce) and those of the Department of the Air Force were established to meet communication requirements that were not available from the Army's Alaska Communication System facilities.

Negotiation without advertising for bids is authorized for the disposal of these communication facilities. It would be impractical to advertise for formal bids because of the difficulty and cost of defining in sufficient detail the facilities required by a purchaser. Before negotiation with any company all United States common carrier companies will be canvassed to determine those that are interested in purchasing the facilities. The Attorney General will review the transfer contract prior to consummation.

The Department of the Interior's Alaska Railroad owns certain communication facilities that are an integral part of the railroad operation. Consequently, these facilities would not be sold, although the bill is broad

enough to permit their transfer if later events should make their disposition desirable. Any circuit capacity excess to the railroad's operational requirements could be leased to the purchaser if it is found to the Government's advantage to do so.

Defense activities have made it necessary over the years to develop and expand industrial or commercial-type facilities in Alaska that, under normal commercial expansion, would have been undertaken by risk capital. Periodically since 1913, efforts have been made by the War Department and its successor, the Department of the Army, to dispose of the Army's Alaska Communication System. Private industry has been reluctant to enter the long-lines communication field in Alaska because of the large capital investment necessary and the small return potential. However, the development of Alaska has now progressed to a point where the operation of an integrated communication system would appear to be financially attractive to private enterprise. Furthermore, the citizens of the State of Alaska should not be dependent on the military for necessary commercial communications.

The proposed legislation would authorize the transfer of the Government-owned long-lines communication facilities whose continued ownership and operation by the Government is no longer deemed necessary or desirable. This would permit development of a long-lines communication system in Alaska which would be more responsive to the growing needs of the people of that state. If there had been a commercial communication company franchised to operate in Alaska, the long-lines facilities of the various Government agencies would presumably have been obtained from such a company, as is the normal practice in the rest of the United States. Neither the Air Force nor the Federal Aviation Agency desires to remain in the long-lines communications business in Alaska if required facilities can be obtained from private enterprise under fair rates and with a degree of reliability assured by the proposed legislation.

Cost and Budget Data

The estimated cost to the Government for the total facilities which might be offered for disposal in whole or in part less depreciation was on July 1, 1961, approximately \$200,000,000 for the Government-owned communication systems in Alaska. Adequate consideration for the facilities to be transferred can only be determined after a comprehensive appraisal and subsequent negotiation between the Government and the purchaser.

After enactment of the proposed legislation and the subsequent transfer of the long-lines facilities, the over-all cost to the Government for communication services to and within Alaska should be no greater than at present.

There will be administrative expenses connected with this disposal, but at this time it is not practicable to estimate the amount.

Sincerely,

Attachments

Honorable John W. McCormack

Speaker of the House of Representatives

IDENTICAL LETTER WILL BE FORWARDED TO THE PRESIDENT OF THE SENATE